

The departmental budget review reconvened on Monday, April 12, 2010, at 10:25 a.m., and proceeded as follows:

(All seven members were noted present.)

LIQUOR DEPARTMENT

Mr. Kaneshiro: We have Mr. Eric Honma from the liquor department.
Mr. Honma, you have the floor.

ERIC HONMA, Director, Liquor Department: Good morning Council Chair Asing, Committee Chair Kaneshiro, and members of the council. For the record, my name is Eric Honma. I am the director and chief investigator for the liquor department, and as you notice, I don't have an entourage like the fire department. If I brought that many people, nobody would be back at the office right now. I guess I'll begin my budget presentation by going over the request for information from the council chair regarding positions. The highlight for my department I guess for the coming year...well at the end of this year there will be a vacancy, and it's a good vacancy in the sense that it is a result of retirement. Senior investigator Shimatsu will be retiring after some 30 plus years as an investigator with the department, and so we have already commenced the process to fill the vacancy, which is anticipated to be on May 31. We have already...we received permission from the administration, as well as personnel services. We have gone out to recruitment. We have identified candidates, and next week we will be conducting interviews, and we anticipate that the vacancy will be filled on June 1, the first day that it's open, and I think that's partially due to, I believe two years ago I explained to the council the succession plan that we had put in place, and so in anticipation of his retirement and through the process, we have been able to train, as well as you know internally be able to promote from within. Since it is a pending personnel matter, I'm at this point not able to release any names, but we do have a qualified candidate that will be filling the position, and the succession plan has allowed us to have a very seamless transition. Vacancy May 31, and we will fill the position on June 1, and so we're happy with that, because that position is very key to the department. Not only does that person TA to my position when I'm on other business, but that position also is in charge of licensing and does all the investigation on all the license applications as they come before the department, also reviews all of the promotional requests from manufacturers, retailers, wholesalers, and insures that all of the federal and State laws are met with regard to any kind of promotion that the retailers do. And so that will be the highlight for me.

Also distributed as part of the budget recap, the administration has requested that all the departments look to, you know, obviously reducing whatever budget allocation that we're able to achieve, and we do have a county attorney position that was attached to our budget which was not filled this year due to, you know, the obvious economic considerations. So that funding 100% will be credited to the license fees for the coming fiscal year as part of the budget reallocation, so it will go back to the license fees. For the coming fiscal year, we've decided not to fill that position and also dollar funded it, in anticipation of the licensees, you know, having difficult time in subsidizing our department's budget. Also in the air fare general area, as well as per diem general, we were able to realize some savings. As it happens, coming fiscal year Kaua'i will be the host for our annual State conference of liquor commissions, as well as the host for the State liquor investigators conference. So we were able to realize some savings in that part as far as travel, as well as per diem. And so with that, I'm open to any questions that the councilmembers have. Don't all raise your hands at once.

Mr. Kaneshiro: Okay committee members, any questions? Mr. Furfaro.

Mr. Furfaro: First of all, thank you for the overview. On some of the operating expenses that you deal with your inspectors on, we do...they travel with county vehicles or their own vehicles?

Mr. Honma: Their own vehicles.

Mr. Furfaro: Okay. So when I look at this reimbursement line on gasoline and so forth, even though it's their own, are they traveling with a county gas card?

Mr. Honma: Yes, they are.

Mr. Furfaro: Okay. But I see almost...I actually I see no increase anticipated for fuel cost this summer.

Mr. Honma: Yes.

Mr. Furfaro: And this is typically the...we're within four dollars of last year's budget and this year's budget. Do you think that's realistic, Eric, (inaudible) that type of gasoline.

Mr. Honma: Yes it is, because with that amount, we still do not use the entire budget amount. We had...not padded it, but two years ago when the gasoline increases started to come around, we did increase our budget. Based on my monthly analysis, on the...we get back from the finance department, we are on budget and we will probably use about 70 to maybe 72 percent of our budgeted amount for this coming fiscal year, so I feel safe and comfortable for next fiscal year.

Mr. Furfaro: So even if this number came down a little bit, you feel there's a contingency to cover the cost.

Mr. Honma: Yes.

Council Chair Asing: Councilmember Furfaro, can I follow up on that question?

Mr. Furfaro: Sure.

Council Chair Asing: Exactly how is it handled? The gasoline is from the county? County provides the gasoline...

Mr. Honma: Yes, it is from Senter Petroleum.

Council Chair Asing: ...for the private vehicle.

Mr. Honma: Yes.

Council Chair Asing: And then what do we pay them, though?

Mr. Honma: The investigators have a \$300 a month auto allowance, as well as the county also picks up their liability insurance for using their vehicle for official work. So the \$300 a month covers for wear and tear of the personal vehicle, and on top of that, we also...the county picks up, the department does, the gas. So each of them have a gas card and they're able to go to the three Senter Petroleum centers to fill whenever they need, and we keep a record of how much gas they draw, and based on the weekly miles that they travel, we have a check and balance that the senior investigator does to make sure that they're drawing not more than actually what they report they need. So it's based on, you know, we have a record, a base record of how many miles per gallon each of the investigator's vehicle uses, and so on a weekly basis, the senior investigator, in

reviewing the weekly report of the investigators, will check to insure that they draw no more gas than they actually are using, based on their daily reports.

Council Chair Asing: So actually it's the \$300 allocated, plus the payment of the vehicle insurance policy.

Mr. Honma: Yes.

Council Chair Asing: So that's what they get in return.

Mr. Honma: Yes, instead of using...you know, as opposed to we buying the vehicle and it becoming a county fleet.

Council Chair Asing: Could there at any time be that they could exceed that \$300 figure because they traveled more?

Mr. Honma: No, that's a fixed amount.

Council Chair Asing: That's a fixed amount.

Mr. Honma: It's a fixed amount that's negotiated between HGEA and the department as a monthly reimbursement...not a reimbursement, but a subsidy, if you will, for them using their personal vehicle in lieu of the county purchasing a vehicle and becoming a fleet vehicle.

Council Chair Asing: Okay. Is that by contract you said?

Mr. Honma: It's a memorandum of agreement.

Council Chair Asing: Between the union...

Mr. Honma: And the department.

Council Chair Asing: And the department.

Mr. Honma: Yes.

Council Chair Asing: Okay, thank you. So now it doesn't seem to show up in your budget as a line item for contract or professional fees or insurance. So the insurance reimbursement for their cars, does that show up in administration and general in the finance department? What line item is that?

Mr. Honma: No, it's part of the auto allowance. Everything is covered in the auto allowance.

Mr. Furfaro: Okay.

Mr. Honma: We just have one line item that encompasses both.

Mr. Furfaro: So their insurance naming us co-insured is in that line item.

Mr. Honma: Yes.

Mr. Furfaro: And the actual proof of the co-insured, that page is in your office, or where would it be kept?

Mr. Honma: They submit their...I believe it's semi-annual policy to the department. When they submit that, we will cover their...reimburse them for their portion, and we retain that as...

Mr. Furfaro: And you retain that?

Mr. Honma: Yes.

Mr. Furfaro: Thank you. I have no more questions committee chair.

Mr. Kaneshiro: You have other questions? Go ahead.

Ms. Kawahara: Thank you budget chair. Good morning Mr. Honma. I'm looking at the latest information we have for the gross liquor sales at the consumer level from the annual report that's the latest one we have from you and it's going down. Is that still accurate?

Mr. Honma: We anticipate it will level off at this point. There was approximately 9.5 percent decrease from 2008 to 2009...I believe it was 8,800,000, which was obviously anticipated.

Ms. Kawahara: Okay. My question is because your department is one of the most interesting departments to me, because you're...I learned that you're kind of self-sustaining by your fines and everything else and your licenses. So my question is, are you still self-sustaining if these continue to go down, or you know, they're at a lower level now and balancing out?

Mr. Honma: We will be fully funded.

Ms. Kawahara: Okay, so all the money for the training and trips and stuff is...goes into the general fund, but comes back out because it's your general moneys that go into the general...or you have a separate fund yeah.

Mr. Honma: We have a separate fund. Nothing goes into general fund. Liquor department has its own separate fund. Whatever remains at the end of the year is credited to the licensees during the budget process, and then we only collect...we will assess them the difference that we need.

Ms. Kawahara: So the budget that you submit isn't general fund budget then...moneys.

Mr. Honma: No.

Ms. Kawahara: It's liquor fund...separate funds.

Mr. Honma: Yes.

Ms. Kawahara: Okay, thank you very much.

Mr. Kaneshiro: Okay, any other questions for Mr. Honma? Mr. Chang go ahead.

Mr. Chang: Thank you chair. I think this is more in the light of curiosity. You said that we're having a statewide conference here? I mean you don't have to travel, but it's going to be on Kaua'i.

Mr. Honma: Yes. Every year there is a state conference of liquor commissions, as well as a state investigators conference. And if like HSAC, it rotates.

Mr. Chang: So both are here this year?

Mr. Honma: Yes.

Mr. Chang: What would those dates be?

Mr. Honma: I believe we are still negotiating it, but we are looking at mid-November for the liquor commission conference, and October for the investigators conference.

Mr. Chang: And how many days and how many attendees you...

Mr. Honma: It's two and a half days, and as far as liquor commission, adjudication board members and industry members, we'll average between 85 to a hundred per conference. And the investigators one, they will have normally about 30 to 35 investigators, because again, they're coming from all of the islands.

Mr. Chang: Okay thank you.

Mr. Kaneshiro: Mr. Bynum go ahead.

Mr. Bynum: This is also in the realm of curiosity. Does your commission have anything to do with advertising of alcohol banners, offsite advertising, that kind of thing?

Mr. Honma: No, that's basically..if it's... I'm sure you're referring to, you know, the Bud Light and the Coors when you see advertised. That is basically through the building division sign ordinance.

Mr. Bynum: I'm just not a fan of liquor logos on...or offsite advertising for, you know, happy hour and...but that's not your department; that's a sign ordinance issue.

Mr. Honma: As long as it's consistent with federal regulation in regards to sanity and those kind of things, it basically falls within the purview of the building department and their sign ordinance.

Mr. Bynum: Yeah, because I... In the State of Hawai'i you don't have ban...you don't have billboards.

Mr. Honma: No.

Mr. Bynum: And those are billboards to me when you put a liquor logo on there. So but that's not your kuleana, so...

Mr. Kaneshiro: Okay, with that...

Mr. Furfaro: I got one more question. So Mr. Honma, when I read the reimbursements to hotels, it looks... If I recall right, they estimate their quarterly sales?

Mr. Honma: No. We did away with that two years, so now they only report to us on an annual basis. We give them between June 1 to July 30 to report to us, at the close of our fiscal year.

Mr. Furfaro: So it's one time annual now.

Mr. Honma: Yes.

Mr. Furfaro: Okay.

Mr. Honma: It was kind of cumbersome for both the department, as well as the licensees, to have to do it on a semi-annual basis.

Mr. Furfaro: Okay, I'm good.

Mr. Kaneshiro: Okay. No other questions for Mr. Honma? With that Mr. Honma, you're excused. Thank you very much for being here this morning.

We're going to take a short recess, and we're trying to get civil defense to be here, and we'll soon reconvene right after that. We're in recess.

The Liquor Department departmental budget review concluded at 10:40 a.m., and there being no objections, the meeting was in recess.

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